



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

September 6, 2005

The Honorable Shirley Johnson, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending June 30, 2005. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary A. Lannoye".

Mary A. Lannoye
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Ken Sikkema, Senate Majority Leader
Craig DeRoche, Speaker of the House
Bob Emerson, Senate Minority Leader
Diane Byrum, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Fulton Sheen, House Tax Policy Committee
Rick Wiener, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2005
Projected Revenues and Expenditures
June 30, 2005
(\$ in millions)

	FISCAL 2005
Beginning Balance, October 1, 2004	\$ -
Revenues, Current Law:	
Current Year GF/GP Revenues, May 2005 Consensus Estimate	\$ 7,914.7
Adjustments to Consensus Baseline	\$ -
Adjusted Current Year GF/GP Revenue Baseline	\$ 7,914.7
Additional Revenue Adjustments:	
Revenue Sharing Reductions (PA 355 of 2004 and May 2005 Consensus)	\$ 322.2
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 182.3
Sale of Northville (PA 6 of 2002) - deposit funds	\$ 3.0
Interfund Borrowing Rates	\$ 20.0
Judiciary Technology Improvement Fund (PA 466 of 2004)	\$ 1.5
Juror Compensation Fund Balance deposited to General Fund (PA 465 of 2004)	\$ 4.0
Comprehensive Transportation Fund - reduce and lapse to General Fund (PA 544 of 2004)	\$ 10.0
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
General Tobacco Settlement revenue deposited to General Fund (PA 360 of 2004)	\$ 7.0
Subtotal of Additional Revenue Adjustments	\$ 560.0
Anticipated Revenue Adjustments:	
Proceeds from Land Sales	\$ 58.5
Budget Stabilization Fund - Unreserved Balance	\$ 82.9
Escheats Enforcement	\$ 2.5
Liquor Purchase Revolving Fund additional lapse	\$ 0.9
Total FY Resources Available For Expenditure GF/GP	\$ 8,619.5
Expenditures, Current Law:	
Enacted Post Vetoes	\$ 8,751.0
Enacted Supplemental (PA 468 of 2004)	\$ 0.2
Enacted School Aid Supplemental (PA 518 of 2004)	\$ 99.5
Executive Order 2005-7	\$ (295.0)
Enacted Supplemental (PA 11 of 2005)	\$ 40.0
Enacted Higher Education Supplemental (PA 11 of 2004)	\$ 16.6
Total Enacted	\$ 8,612.3
Anticipated Expenditure Adjustments	
Lapse Building Occupancy Charges - DMB (PA 327 of 2004, sec. 720)	\$ (0.7)
Total Expenditures Projected	\$ 8,611.6
Projected Ending Balance, September 30, 2005	\$ 7.9 ¹

¹ Subsequent to the date of this report, the State Budget Director transmitted to the legislature on August 2, 2005, a supplemental appropriation recommendation of \$135.8 million (\$38.7 million GF/GP) for additional Medicaid spending needs. On August 17, 2005, a special revenue consensus estimating conference was held. Conference participants identified a combined revenue increase of \$69.0 million compared to the May 2005 Consensus Agreement: an increase of \$79.3 million GF/GP; a decrease of \$10.2 million School Aid Fund.

OFFICIAL BALANCE SHEET

SCHOOL AID FUND Fiscal Year 2005 Projected Revenues and Expenditures June 30, 2005 (\$ in millions)

	FISCAL 2005
Beginning Balance, October 1, 2004	\$ 74.1
Current Year School Aid Fund Revenues, May 2005 Consensus	\$ 10,850.5
Adjustments to Consensus Baseline	
Payment in Lieu of Taxes Adjustment (PA 513 of 2004)	\$ (2.0)
Increase Income Threshold to Defer Summer Taxes (PA 24 of 2005)	\$ (4.0)
FY04 Audit Receivables Adjustment	\$ (11.4)
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 10,833.1
Pending Supplemental - Proceeds of Capitalization of the School Bond Loan Fund Revolving Fund	\$ 41.1
Appropriation from GF/GP	\$ 165.2
Supplemental Appropriation from GF/GP (PA 518 of 2004)	\$ 99.5
E.O. 2005-7	\$ (99.5)
	<u>\$ 165.2</u>
Federal Aid	\$ 1,353.6
Total Available SAF Resources	\$ 12,467.1
Expenditures	
Enacted Appropriations PA 351 of 2004	\$ 12,527.5
Executive Order 2005-7 - General Fund Authorization Decrease	\$ (99.5)
Pending Supplemental - School Aid Fund Authorization Increase	\$ 99.5
Revised impact of various audit and enforcement efforts	\$ 37.6
Revised pupil count/special education costs/taxable value estimates	\$ (98.0)
	<u>\$ (60.4)</u>
Adjusted Appropriations	\$ 12,467.1
Projected School Aid Fund Ending Balance September 30, 2005	\$ -

SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

June 30, 2005

(\$ IN MILLIONS)

FISCAL YEAR 2003-04

FISCAL YEAR 2004-05

June 2004	Yr-to-date 2003-04	Fiscal Yr end SEP 30, 2004	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc June 2005	Exp & Enc Yr-to-date 2004-05
8.2	64.7	95.7	Agriculture	126.1	0.0	10.1	68.8
3.4	36.1	51.3	Attorney General	62.0	0.1	6.3	42.5
19.9	203.2	252.3	Capital Outlay	0.0	584.5	46.6	234.1
1.0	8.7	12.4	Civil Rights	12.7	0.1	1.3	9.6
1.5	13.8	20.3	Civil Service	35.1	-0.2	2.3	17.6
154.2	1,515.9	1,826.0	Colleges & Universities	1,943.2	-23.7	162.0	1,605.2
738.5	6,963.6	9,342.1	Community Health	9,996.4	306.5	870.7	7,388.7
137.0	1,153.0	1,593.5	Corrections	1,768.7	-17.3	177.3	1,259.0
11.7	58.5	67.3	Education	99.9	2.4	5.8	65.8
10.9	117.6	164.9	Environmental Quality	296.0	3.1	17.4	128.6
0.4	3.8	4.8	Executive Office	5.2	0.0	0.5	3.6
336.0	2,783.4	3,716.2	Human Services	4,287.4	-25.0	363.7	2,994.7
9.1	42.3	54.2	History, Arts & Library	57.1	2.0	3.7	35.8
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
12.3	142.2	208.4	Judiciary	253.2	0.0	14.8	148.9
57.7	499.0	678.1	Labor & Economic Growth	835.8	11.0	54.5	510.4
10.5	90.3	126.5	Legislature	126.7	0.0	14.2	96.6
12.0	116.1	145.8	Management & Budget	156.9	4.3	11.7	110.6
7.1	71.4	97.5	Military Affairs	105.5	2.4	9.3	76.9
5.6	50.0	69.7	Natural Resources	95.0	2.4	7.1	58.2
0.0	0.0	0.0	School Aid	0.0	-99.5	0.0	0.0
14.6	131.4	182.5	State	187.2	0.5	21.0	159.8
34.0	264.2	378.2	State Police	475.8	7.4	48.3	305.0
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
219.0	1,367.3	1,675.9	Treasury	1,520.4	50.0	179.4	1,210.6
\$1,804.6	\$15,696.5	\$20,763.6		\$22,446.3	\$811.3	\$2,028.0	\$16,531.0

*Includes boilerplate appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2005

June, 2005

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,456.7	31.5	15,488.2
Total state spending from state resources	25,904.2	263.5	26,167.7
Percentage of state spending from state resources paid to local units	59.67%		59.19%
Required payments to local units (48.97%)	12,685.3		12,814.3
Surplus/(deficit)	\$2,771.4		\$2,673.9

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
OCTOBER 1, 2004 THROUGH JUNE 30, 2005
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>641</u>
Total Revenues	<u>641</u>

EXPENDITURES

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under)	
Expenditures	<u>641</u>

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other	
Sources over (under) Expenditures	
and Other Uses	<u><u>\$ 641</u></u> ¹

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND

OCTOBER 1, 2004 THROUGH JUNE 30, 2005
(in thousands)

OPERATING REVENUES

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	1,250
Other	-
Total miscellaneous	<u>1,250</u>
Total Operating Revenues	<u>1,250</u>

OPERATING EXPENSES

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	0
Total other operating expenses	<u>0</u>
Total Operating Expenses	<u>0</u>
Operating Income (Loss)	<u>1,250</u>

NONOPERATING REVENUES (EXPENSES)

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	149
Other nonoperating revenue	-
Total other nonoperating revenues	<u>149</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>149</u>
Income (Loss) Before Operating Transfers	<u>1,398</u>

OPERATING TRANSFERS

Operating transfers from primary government	-
Operating transfers to primary government	<u>(1,278)</u>
Total Operating Transfers In (Out)	<u>(1,278)</u>
Net Income (Loss)	<u>\$ 120 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2004 THROUGH JUNE 30, 2005

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>63,621</u>
Total Revenues	<u>63,621</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	1,857
Capital outlay	<u>16,609</u>
Total Expenditures	<u>18,467</u>
Excess of Revenues over (under) Expenditures	<u>45,154</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	92
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,050)</u>
Total Other Financing Sources (Uses)	<u>(9,958)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 35,196 ¹</u>

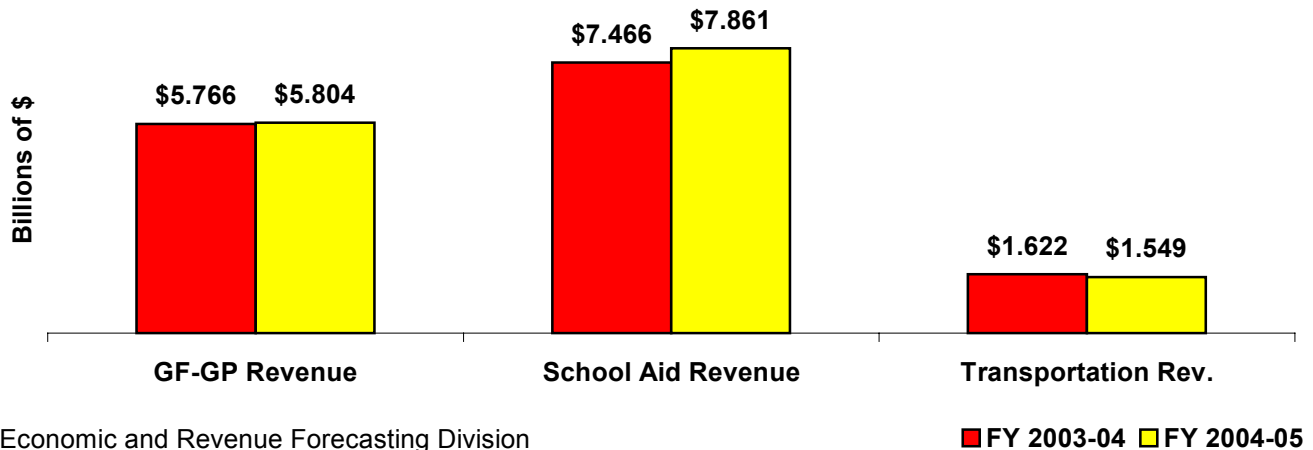
REVENUE OVERVIEW
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for June 2005, representing some May and some June economic activity in Michigan.

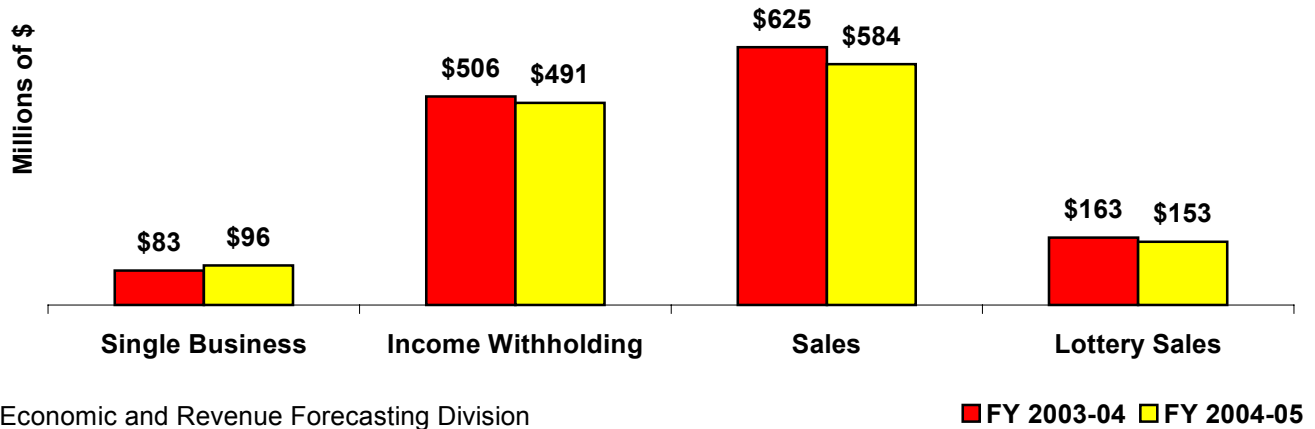
Total General Fund - General Purpose cash collections were \$38.5 million (6.0 percent) higher in June 2005 than in June 2004. The increase is due in part to the timing of income tax refund payments. June School Aid Fund cash collections were \$20.0 million (2.5 percent) lower than in June 2004. June transportation collections were \$12.2 million (6.5 percent) lower than in June 2004 (see revenue table). June is the ninth month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$38.2 million (0.7 percent) from a year ago. Excluding income tax refunds, year-to-date General Fund - General Purpose cash collections are up 2.3 percent from a year ago. School Aid Fund cash collections are up \$394.4 million (5.3 percent), and transportation collections are down \$72.8 million (4.5 percent). School Aid Fund collections have been affected by the change in the timing and tax rate of state education tax (SET) payments. Excluding SET payments, School Aid Fund collections are up 2.1 percent from a year ago.

The FY 2004-2005 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 19, 2005. The Consensus estimate for net General Fund - General Purpose revenue for FY 2004-2005 is \$7,914.7 million and the net School Aid revenue forecast is \$10,850.5 million. The Transportation Funds revenue forecast is \$2,197.4 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in January 2006.

**October through June Collections
Fiscal Years 2003-04 and 2004-05**



June Revenue Collections Fiscal Years 2003-04 and 2004-05



October through June Collections Fiscal Years 2003-04 and 2004-05



Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: June 30, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JUNE CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
June		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005	
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	May 2005 Consensus	
Income Taxes												
\$505,612	\$490,566	(\$15,045)	-3.0%	Withholding	\$4,824,677	\$4,859,268	\$34,591	0.7%	\$6,365,100	\$6,568,700	\$6,384,500	
119,844	135,093	15,249	12.7%	Quarterlies	450,970	474,169	23,199	5.1%	601,800	626,600	619,200	
13,988	12,903	(1,085)	-7.8%	Annuals	466,038	606,523	140,485	30.1%	499,800	501,800	626,700	
639,444	638,563	(881)	-0.1%	Gross Collections	5,741,685	5,939,960	198,275	3.5%	\$7,466,700	\$7,697,100	\$7,630,400	
95,120	48,262	(46,858)	-49.3%	Less: Refunds	1,436,024	1,565,904	129,880	9.0%	1,594,200	1,674,800	1,660,700	
0	0	0	na	State Campaign Fund	0	0	0	na	1,400	1,500	1,500	
544,324	590,300	45,977	8.4%	Net Personal Income	4,305,661	4,374,056	68,395	1.6%	\$5,871,100	\$6,020,800	\$5,968,200	
159,861	159,641	(220)	-0.1%	Less: Disbursements to SAF	1,435,421	1,484,990	49,569	3.5%	\$1,893,400	\$1,996,500	\$1,980,600	
\$384,463	\$430,660	\$46,197	12.0%	NET PERSONAL INCOME TO GF-GP	\$2,870,239	\$2,889,066	\$18,827	0.7%	\$3,977,700	\$4,024,300	\$3,987,600	
Consumption Taxes												
\$9,258	\$8,237	(\$1,021)	-11.0%	Sales (a)	\$61,929	\$64,673	\$2,744	4.4%	\$102,200	\$119,800	\$114,000	
80,976	79,857	(1,118)	-1.4%	Use	642,752	680,279	37,527	5.8%	877,400	885,800	923,700	
24,622	9,577	(15,045)	-61.1%	Tobacco	208,669	88,223	(120,446)	-57.7%	242,700	119,000	119,000	
4,782	4,804	22	0.5%	Beer, Wine & Mixed Spirits	37,117	36,412	(705)	-1.9%	51,500	52,000	52,000	
2,432	2,637	205	8.4%	Liquor Specific	21,496	21,804	308	1.4%	33,000	31,600	33,500	
\$122,070	\$105,113	(\$16,957)	-13.9%	TOTAL CONSUMPTION TAXES	\$971,963	\$891,391	(\$80,572)	-8.3%	\$1,306,800	\$1,208,200	\$1,242,200	
Other Taxes												
\$83,498	\$96,283	\$12,785	15.3%	Single Business	\$1,350,260	\$1,455,156	\$104,896	7.8%	\$1,827,600	\$1,917,500	\$1,845,700	
(3,887)	1,419	5,306	na	Insurance Premiums Taxes	177,511	179,328	1,817	1.0%	230,300	261,000	229,300	
79,611	97,702	18,091	22.7%	Sub-total SBT & Insurance	1,527,771	1,634,484	106,713	7.0%	2,057,900	2,178,500	2,075,000	
8,689	2,493	(6,196)	-71.3%	Inheritance / Estate	66,789	25,241	(41,548)	-62.2%	75,500	34,000	36,000	
204	133	(71)	-34.8%	Telephone & Telegraph	59,485	45,874	(13,612)	-22.9%	101,300	120,600	95,300	
5,720	11,516	5,796	101.0%	Oil & Gas Severance	32,528	51,387	18,858	58.0%	57,100	50,000	63,000	
0	3,381	3,381	na	Casino Wagering	0	33,061	33,061	na	3,200	42,900	42,500	
21,198	8,773	(12,426)	-58.6%	Penalties & Interest	98,023	85,887	(12,136)	-12.4%	104,400	110,000	108,500	
0	17	16	na	Miscellaneous Other/Railroad	167	159	(8)	-4.6%	3,200	3,000	0	
(7,083)	(6,667)	417	-5.9%	Treasury Enforcement Programs	(63,750)	(60,000)	3,750	-5.9%	(81,600)	(80,000)	(80,000)	
\$108,340	\$117,348	\$9,009	8.3%	TOTAL OTHER TAXES	\$1,721,013	\$1,816,093	\$95,079	5.5%	\$2,321,000	\$2,459,000	\$2,340,300	
\$614,873	\$653,121	\$38,248	6.2%	SUBTOTAL GF-GP TAXES	\$5,563,216	\$5,596,550	\$33,334	0.6%	\$7,605,500	\$7,691,400	\$7,570,200	

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: June 30, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JUNE CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
June		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	May 2005 Consensus
Non-Tax Revenue(g)											
\$2,500	\$2,500	\$0	0.0%	Federal Aid	\$22,500	\$22,500	\$0	0.0%	\$66,100	\$30,000	\$35,000
83	83	0	0.0%	Local Agencies	750	750	0	0.0%	2,900	1,000	2,000
667	667	0	0.0%	Services	6,000	6,000	0	0.0%	17,800	8,000	18,000
1,500	1,500	0	0.0%	Licenses & Permits	13,500	13,500	0	0.0%	55,200	18,000	54,000
0	0	0	na	Investments/Interest Costs	(3,782)	(1,195)	2,587	-68.4%	(22,200)	(80,000)	(73,000)
5,000	5,167	167	3.3%	Misc. Non-tax Revenue	45,000	46,500	1,500	3.3%	76,100	62,000	113,200
10,000	10,083	83	0.8%	Liquor Purchase Revolving Fund	90,000	90,750	750	0.8%	139,400	121,000	133,000
3,233	3,233	0	0.0%	From Other Funds-Lottery & Escheats	29,100	29,100	0	0.0%	101,200	38,800	62,300
\$22,983	\$23,233	\$250	1.1%	TOTAL NON-TAX REVENUE	\$203,068	\$207,905	\$4,837	2.4%	\$436,500	\$198,800	\$344,500
\$637,856	\$676,354	\$38,498	6.0%	TOTAL GF-GP REVENUE	\$5,766,284	\$5,804,455	\$38,171	0.7%	\$8,042,000	\$7,890,200	\$7,914,700
School Aid Fund											
\$253,898	\$237,764	(\$16,135)	-6.4%	Sales Tax 4%	\$1,938,119	\$1,986,454	\$48,335	2.5%	2,635,100	2,767,300	2,705,200
202,086	187,679	(14,407)	-7.1%	Sales Tax 2%	1,529,804	1,561,135	31,331	2.0%	2,081,600	2,188,600	2,128,200
40,488	39,929	(559)	-1.4%	Use Tax 2%	321,376	340,139	18,763	5.8%	439,100	442,800	461,900
20,060	25,472	5,413	27.0%	State Education Property Tax	1,003,656	1,260,866	257,210	25.6%	1,824,500	1,859,700	1,851,600
23,571	27,629	4,058	17.2%	Real Estate Transfer Tax	228,004	229,930	1,926	0.8%	317,500	293,000	320,000
50,000	60,000	10,000	20.0%	Lottery Transfer (c)	445,048	434,883	(10,165)	-2.3%	644,900	637,000	638,000
8,802	7,825	(977)	-11.1%	Casino Wagering Tax	65,091	76,513	11,422	17.5%	95,800	99,300	98,400
2,412	2,528	116	4.8%	Liquor Excise Tax	21,101	21,441	340	1.6%	32,400	31,600	33,500
41,313	38,307	(3,007)	-7.3%	Cigarette/Tobacco Tax	350,129	352,892	2,763	0.8%	485,200	476,300	477,000
6,940	2,691	(4,249)	-61.2%	Indus. & Comm. Facilities Taxes	122,406	106,640	(15,766)	-12.9%	150,200	157,000	141,500
525	513	(12)	-2.4%	Specific Other	6,146	4,823	(1,323)	-21.5%	15,800	14,800	14,800
159,861	159,641	(220)	-0.1%	Income Tax Earmarking	1,435,421	1,484,990	49,569	3.5%	\$1,893,400	\$1,996,500	\$1,980,600
\$809,956	\$789,977	(\$19,979)	-2.5%	TOTAL SCHOOL AID FUND	\$7,466,302	\$7,860,707	\$394,406	5.3%	\$10,615,600	\$10,963,900	\$10,850,500
\$625,249	\$583,952	(\$41,298)	-6.6%	SALES TAX 6%	\$4,760,002	\$4,871,892	\$111,890	2.4%	\$6,473,500	\$6,800,700	\$6,636,800
423,163	396,273	(26,891)	-6.4%	SALES TAX 4%(e)	3,230,198	3,310,757	80,559	2.5%	4,391,900	4,612,100	4,508,600
202,086	187,679	(14,407)	-7.1%	SALES TAX 2%	1,529,804	1,561,135	31,331	2.0%	2,081,600	2,188,600	2,128,200
121,464	119,786	(1,677)	-1.4%	USE TAX 6%	964,128	1,020,418	56,290	5.8%	1,316,500	1,328,600	1,385,600
8,802	11,206	2,404	27.3%	CASINO WAGERING TAX	65,091	109,574	44,483	68.3%	99,455	148,300	147,000
75,527	92,083	16,556	21.9%	TOBACCO TAXES	640,090	848,299	208,208	32.5%	992,800	1,177,800	1,179,200
0	0	0	na	TOBACCO SETTLEMENT	273,274	274,327	1,053	0.4%	na	na	na
(0)	299	299	na	CIGARETTE INVENTORY TAX	(1)	0	1	na	na	na	na

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: June 30, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JUNE CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
June		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	May 2005 Consensus
Major Transportation Revenues											
\$13,929	\$11,602	(\$2,327)	-16.7%	Diesel Fuel / Motor Carrier Fuel Tax (h)	\$108,068	\$107,102	(\$967)	-0.9%	\$140,492	\$162,600	\$145,000
78,622	79,516	894	1.1%	Gasoline	686,565	677,868	(8,697)	-1.3%	932,764	968,000	935,600
82,898	72,158	(10,740)	-13.0%	Motor Vehicle Registration	721,736	661,332	(60,403)	-8.4%	934,309	830,800	857,000
6,572	6,506	(66)	-1.0%	Other Taxes, Fees & Misc.	53,599	50,720	(2,879)	-5.4%	197,237	219,736	203,301
5,810	5,821	11	0.2%	Comprehensive Transportation (d)	52,287	52,385	98	0.2%	70,117	69,846	56,546
\$187,831	\$175,603	(\$12,228)	-6.5%	TOTAL MAJOR TRANS. REVENUES	\$1,622,255	\$1,549,407	(\$72,848)	-4.5%	\$2,274,919	\$2,250,982	\$2,197,447
Lottery Sales By Games (c)											
52,781	52,297	(483)	-0.9%	Instant Games	519,356	499,503	(19,852)	-3.8%	na	na	na
55,378	52,849	(2,528)	-4.6%	Daily Games	546,599	538,718	(7,881)	-1.4%	na	na	na
33,558	20,552	(13,007)	-38.8%	Lotto and Big Game	230,174	220,549	(9,625)	-4.2%	na	na	na
1,098	1,036	(62)	-5.6%	Keno Game	11,245	9,963	(1,281)	-11.4%	na	na	na
0	0	0	na	Changeplay Game	88	0	(88)	-100.0%	na	na	na
20,336	26,380	6,044	29.7%	Club Games	156,705	276,380	119,674	76.4%	na	na	na
\$163,152	\$153,116	(\$10,036)	-6.2%	TOTAL LOTTERY SALES	\$1,464,168	\$1,545,114	\$80,946	5.5%	na	na	na

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b Statutory and Consensus Estimates have been adjusted to include the Tobacco tax increase (PA 164 of 2004) and Casino Tax Increase (PA 306 of 2004).

c The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

d The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

e 2% collections adjusted to reflect exemption on residential utilities.

f Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

g Non-tax revenue estimates other than interest are estimates. Federal aid total does not include the \$169 million in federal aid from federal stimulus bill in FY 2004.

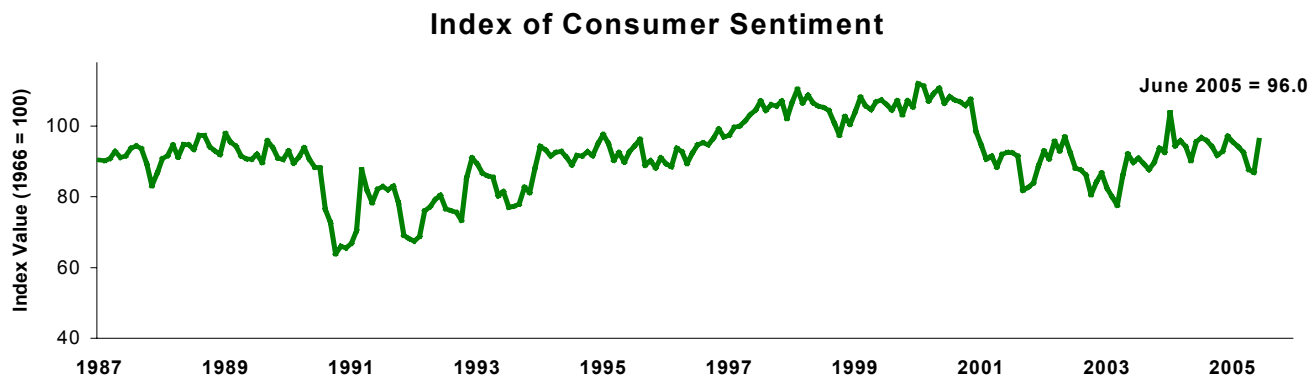
h Starting in January 2005 totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 96.0 in June, 9.1 index-points above the May value and 0.4 index-points above June 2004. On the recent surge in confidence in the June report, Survey director Richard Curtin noted, "The June surge in confidence was widespread among all age and income subgroups and across all regions of the country. Consumers anticipated a stronger performance of the economy and were not as concerned about rising unemployment and rising interest rates." Curtin noted that, "Consumers still expect interest rates to increase and expected the unemployment rate to edge upward during the year ahead. More importantly, consumers judged their personal finances much more favorably in the June survey, and held more favorable buying attitudes toward vehicles as well as a wide range of other household durables, although home buying attitudes posted a small decline." In June, consumers in all four regions reported an increase in confidence. Western consumers reported the largest increase in confidence from last month with a huge increase of 16.1 index-points. Southern consumers reported an increase in confidence of 9.2 index-points, while Midwestern consumers recorded an increase of 8.0 index-points. The gap across regions increased from last month to 11.4 index-points, with Western consumers on top and Midwestern consumers on the bottom.

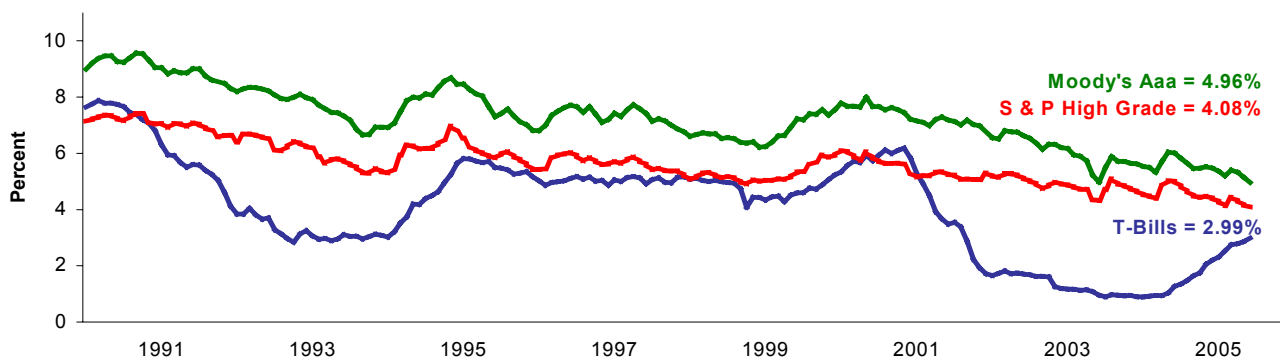
The final estimate of real **Gross Domestic Product** for the first quarter of 2005 is \$11,096.2 billion (chained 2000 dollars), an increase of 3.8 percent at an annual rate. In the fourth quarter of 2004, real gross domestic product also increased 3.8 percent. Personal consumption expenditures, private inventory investment, exports, equipment and software, and residential fixed investment led first quarter growth. Imports, which are a subtraction in the calculation of GDP, also increased. Real personal consumption expenditures increased 3.6 percent in the first quarter compared to an increase of 4.2 percent in the fourth quarter. Real residential fixed investment increased 11.5 percent in the first quarter compared to an increase of 3.4 percent in the fourth quarter. Real nonresidential fixed investment increased 4.1 percent in the first quarter led by increased investment in equipment and software of 6.1 percent. Real federal government expenditures increased 0.6 percent in the first quarter compared to a 1.2 percent increase in the fourth quarter. Real state and local government spending decreased 0.1 percent in the first quarter compared to a 0.6 percent increase the fourth quarter. Exports of goods and services increased 8.9 percent in the first quarter, compared to a 3.2 percent increase in the fourth quarter. Imports increased 9.6 percent in the first quarter compared to an increase of 11.4 percent in the fourth quarter. Private inventory investment increased \$66.8 billion in the first quarter, up from a

\$47.2 billion increase in the fourth quarter. Real final sales increased at a 3.0 percent rate in the first quarter compared to a 3.4 percent rate in the fourth quarter. On the inflation front, the **implicit price deflator** measure estimate increased at a 2.9 percent annual rate in the first quarter, compared to an increase of 2.3 percent observed in the fourth quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), remained unchanged in June, up from a 0.1 percent decrease in May. Energy decreased by 0.5 percent in June; compared to a 2.0 percent decrease in May, while the all-items less food and energy component increased 0.1 percent. For the six months since December, the all-items index increased at a 3.1 percent annual rate.

Compared to June 2004, the all-items index increased 2.5 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.2 percent; housing, 2.7 percent; medical care, 4.2 percent; recreation, 0.2 percent; education and communication, 1.8 percent; and other goods and services, 2.8 percent, with tobacco prices up 4.6 percent; transportation 3.7 percent, with gasoline prices up 6.9 percent. The unadjusted decreases from one year ago were: apparel, 1.5 percent.

Selected Key Interest Rates



Source: Economic Indicators

Short-term **interest rates** increased 0.13 percentage points in June as the 3-month Treasury bill (T-bill) rate averaged 2.99 percent. Compared to one year ago, the T-bill rate is up 1.72 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, decreased 0.19 percentage points to an interest yield of 4.96 percent in June. Compared to one year ago, the Aaa bond yield is down 1.05 percentage points. The interest rate on High-grade municipal bonds decreased 0.08 percentage points to 4.08 percent in June, and stands 0.92 percentage points below its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its June 30th meeting to 3.25 percent. The FOMC continues to believe that, “even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. Pressures on inflation have stayed elevated, but longer-term inflation expectations remain well contained.” The FOMC perceives that, with appropriate monetary policy action, the upside and downside risks to the attainment of both sustainable growth and price stability are roughly equal. The committee believes that, “policy accommodation can be removed at a pace that is likely to be measured.”

In June, the **U. S. unemployment rate** decreased 0.1 percentage points from a month ago to 5.0 percent and was down 0.6 percentage points from one year ago. Civilian employment totaled 141.6

million persons in June, up nearly 0.2 million from May. The number of unemployed was 7.5 million nationwide.

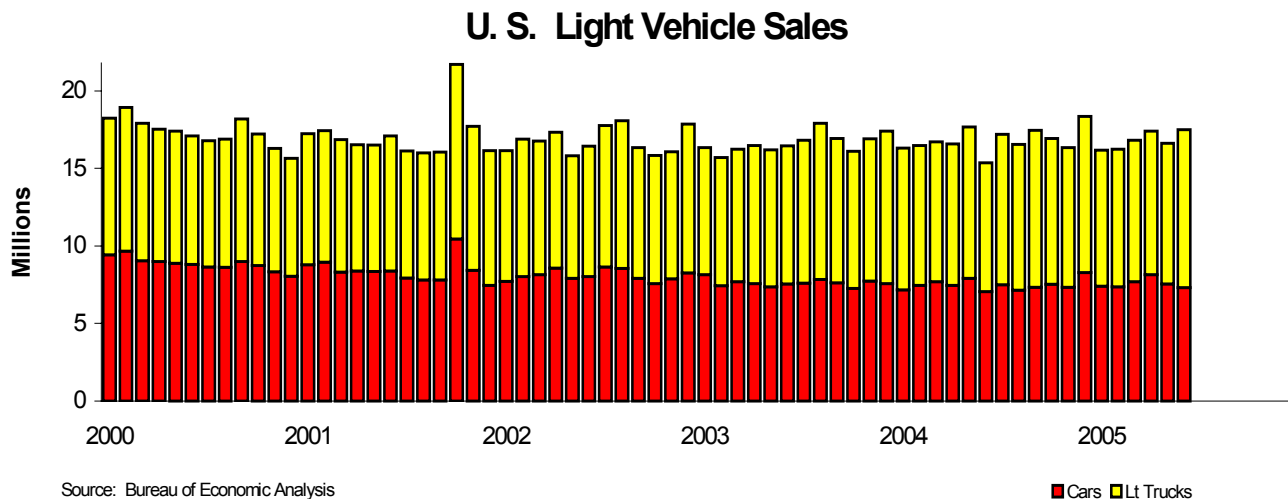


Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In June, the **Michigan jobless rate** decreased 0.3 percentage points to 6.8 percent. Compared to a year ago, Michigan's jobless rate was 0.2 percentage points lower. From a month ago, the labor force decreased by 38,000 to 5,091,000, while the number of people employed decreased by 20,000 to 4,746,000. In June, there were 345,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 7.0 percent may be a better measure of actual conditions.

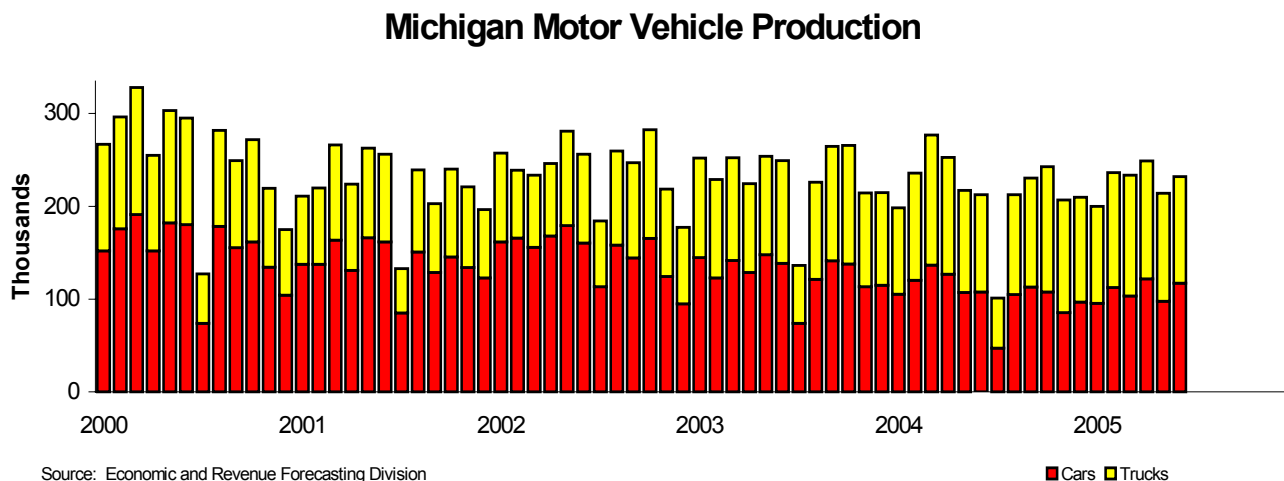
Detroit retail prices, as measured by the Consumer Price Index (CPI-U), decreased 0.1 percent from April to June, compared to a 1.1 percent increase from February to April. The all-items less food and energy index remained unchanged from April to June. The food index decreased 0.4 percent from April to June while the energy index increased 0.1 percent. Compared to June 2004, the all-items index increased 2.0 percent. For individual component items, the increases from one year ago were: food and beverages, 1.6 percent; housing, 2.2 percent; transportation, 4.8 percent; medical care, 3.5 percent; education and communication 1.1 percent; other goods and services, 8.2 percent; the unadjusted decreases were: apparel, 8.4 percent.

Motor Vehicle Sector



U. S. light vehicle sales (cars + light trucks) increased 0.9 million units in June selling at a 17.5 million unit seasonally adjusted annual rate. In June, General Motors ran a successful sales incentive program, where all potential customers received the employee discount. Other automakers are following suit, which may lead to a higher volume of vehicle sales in the upcoming months. Domestic car sales decreased 3.8 percent while domestic light truck sales increased 13.6 percent. Import car sales decreased 1.2 percent while import light truck sales increased 3.1 percent. Compared to last year, light vehicle sales increased 13.8 percent. Domestic car sales were up 4.0 percent while domestic light truck sales increased 25.4 percent. Import car sales were up 3.6 percent while import truck sales rose 3.8 percent from last year. As a result, the domestic share increased 1.9 percentage points from a year ago. For fiscal year 2005, domestic light vehicles have recorded a 79.4 percent share of a 16.9 million-unit market.

Michigan motor vehicle production increased to 231,923 units in June. From a year ago, motor vehicle production increased 9 percent in Michigan and rose 1 percent nationally. In June, Michigan's car production was 117,225 units while the state's truck production was 114,698 units. Compared with a year ago, car production rose 9 percent in Michigan and increased 5 percent nationwide. The state's truck production increased 9 percent while national truck production fell 1 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 19, 2005 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2002-2003 Actual	Fiscal Year 2003-2004 Actual	Fiscal Year 2004-2005 Estimate
Applicable Calendar Year Personal Income	\$297,609	\$303,745	\$314,460
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,243.1	\$28,825.4	\$29,842.3
Revenue Limit	\$28,243.1	\$28,825.4	\$29,842.3
State Revenue Subject to Limit	\$24,061.6	\$24,384.7	\$24,163.9
Amount Under (Over) Limit	\$4,181.5	\$4,440.7	\$5,678.3

Sources:

Personal Income Estimate

The FY 2002-03 calculation uses the official personal income estimate for calendar year 2001 (Survey of Current Business, October 2002).

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

Revenue Subject to the Limit

The FY 2002-03 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2003.

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the May 19, 2005 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury